

Message

From: Johannes Treutler [johannes.treutler@celsius.network]
on behalf of Johannes Treutler <johannes.treutler@celsius.network> [johannes.treutler@celsius.network]
Sent: 11/6/2019 8:34:58 PM
To: Alex Mashinsky [alex@celsius.network]
CC: Aliza Landes [aliza@celsius.network]; Asaf Iram [asaf.iram@celsius.network]; Jeremie Beaudry [jeremie.beaudry@celsius.network]; S. Leon [daniel@celsius.network]; Young Cho [young.cho@celsius.network]
Subject: Re: CEL token / Buybacks

Hi Alex,

as you told me yesterday on EXCO you want me to manage and execute the weekly CEL buybacks and help with Celsians.com to make it as transparent as possible.

Here is my basic idea how to do it, based on what you mentioned:

1. Start of the week Young calculates how much money we can spend on the weeks buyback and I calculate how much I need to be in ETH and how much in BTC dependent on the exchanges orderbook situation
2. Young sends ETH to the IDEX wallet & ETH/BTC to the Liquid Account
3. I will Analyse the current market situation like 24/7 and decide when to buy and how to execute the orders to achieve the best possible effect for the CEL price
4. I will withdraw all bought CEL to the public Buyback Wallet address, immediately after the trade is done
5. Celsians.com publishes the Buyback immediately on the Website and Social Media and has its own page on the website to show all transactions, all buybacks from Liquid will have a small delay between trade and arrival on the public buyback wallet due to Liquids withdraw settlement only running two times a day
6. CELs from the Buyback Wallet are distributed every Monday, CELs from "earn in CEL" as always & the rest of CEL goes to all in-App CEL holders as always based on the time the CEL were stored in the App during the last week and their % share from all CEL that are stored in the App
7. We will calculate the %APR on CEL for this week & publish it on Celsians.com and on Social Media
8. Celsius publishes the last weeks % APR and the average % APR of the last weeks on the weekly rate card

The following things need to be discussed:

- can I use the existing accounts on IDEX & Liquid? (Do we have a fee-free corporate account on Liquid and who owns the IDEX account - the company or a person?)

Redacted

- Last week I suggested to publish the formula of the buybacks, but today I think we may want to keep it for us and just say our new model is that "The buyback size show the success of Celsius.." or something like that, because if we publish the exact formula we won't be able to easily change it. And we would have to adjust it for example after the "Lending Utility" got implemented, because this Utility once implemented will add a lot of buying power to CEL buybacks, so that we don't have to run that much extra buybacks anymore
- Once again the question how to show the HODL ratio? 100% transparent and for everyone visible on the blockchain isn't possible with the current system, because withdrawals are all coming from one wallet and we have no chance to track whether it is a CEL from interest payments or a CEL that the withdrawer already had. But we need

a solution, especially because the Buyback wallet will grow more and more and one day we need to transfer them into the main CEL wallet at least to show they are part of the in-App tokens, held by customers.

Just FYI: In case we don't want to run the buybacks by a person: I have spoken to the market maker (Kairon Labs) that we don't want to hire for CEL markets but that is a real good one and "cheap". They could build and run a bot for the buybacks that acts exactly after my instructions but is legally run by a market maker and just operating with our inventory. That's a little bit of a waste of money in my opinion (\$10k to build, \$1k monthly to run) but in case we need this construction they could build it within 1 week.

Have a great day,
Johannes

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On Sun, Nov 3, 2019 at 3:16 PM Johannes Treutler <johannes.treutler@celsius.network> wrote:
Hi,

what you mentioned is exactly what the guys in the TG / Twitter chats these days are saying. They wondered why the awesome success of the company isn't connected to the token price. These people lose confidence in the Utilities and are angry that while they "just" earn up to 30% more on their coins with the CEL they bought and utilized, at the same time their CEL investments lose money.

Here is my idea on how to fix this issue.

Thesis

CEL Utility should peg the CEL market cap to 10% of the AUM

-> FairValue of all circulating CEL should be 10% of the AUM

(very simplified, but in my opinion the core idea of today's Utilities where you need 10% of your portfolio to be CEL to get the best rates)

Current situation

- AUM doubled within months, CEL market cap went down 50% within months
- CEL market cap $285M * \$0.045 = \$12.8M$ vs FairValue (AUM $\$295M * 10\%$) $\$29.5M$ -> CEL market cap is 57% under FairValue

Idea

- Support CEL price with increased Buybacks as long as CEL price is < fair value
- find a simple formula for the amount of Buybacks that every community member understands
- execute additional Buybacks with this formula visible & traceable every week, people need to know the simple math behind it
- give the people a feeling of "The company takes care of the CEL community"
- Distribute 80% of the extra Buyback to the community (increased %APR on the CEL stored in App)
- Distribute 20% of the extra Buyback to the Celsius Portfolio (hold these coins as long as CEL < FairValue)

Formula

IF MarketCap < FairValue:

$$BB2 = BB1 * (FV / MC - 1)$$

BB1 the normal "earn in CEL Buyback" that is happening every week

BB2 the new "additional buyback" on top of the normal weekly buyback

FV Fair Value (10% of AUM)

MC Market Cap (285M CEL in circulation * \$ price of CEL)

Example with current numbers

$BB2 = 708k \text{ CEL Buyback last week} * (10\% * \$295M \text{ AUM} / 285M * \$0.045 \text{ Market Cap} - 1)$
 $BB2 = 708k \text{ CEL} * (\$29.5M / \$12.825M - 1)$
 $BB2 = 708k \text{ CEL} * 1.3$
 $BB2 = 920k \text{ CEL}$

Distribution

80% (736k) to the community = CEL Holders in App (as a weekly changing %APR on their CEL)
 20% (184k) to Celsius Portfolio

Consequence

- first week: 736k CEL distributed between 165M CEL that are stored in App -> this is like 23% APR !!!
- Price will immediately jump with this huge % APR on CEL and the increased buying power from weekly buybacks
- Higher Price -> Higher MarketCap -> Lower BB2 Buyback the next week -> lower %APR the next week ...
- these additional buybacks start big and get smaller the healthier the CEL price is
- when $CEL > FairValue$: the 20% of CELs that Celsius stored should be sold back to the market with a formula similar to the BB2 formula

Expenses for Celsius

- IF $MC < FV$: first week \$40k, second week maybe \$20k, third week maybe \$10k ... depends on the price of CEL
- IF $MC = FV$: No expenses
- IF $MC > FV$: Celsius starts to sell the extra CEL with a huge profit

Long Term Effects

- this buyback program should kickstart a new wave of confidence into CEL
- CEL holders feel supported by Celsius success
- CEL holders keep tracking the AUM and now have a huge incentive to bring in all their friends, because AUM matters!
- the 20% that Celsius stores on their own books are a reasonable investment into their own growth and success and could fund the whole extra-buybacks one day

Key points to make this successful:

- Simple Formula that is visible on Celsius & Celsius Website (in my opinion the suggested formula is already simple enough, but could be simpler if needed)
- Market Cap of CEL is calculated with the average trading price of a week and NOT with a snapshot -> NO manipulation possible
- We need a Market Maker that acts in our best interest and NOT builds up exposure with our money (we are working on it)
- Buybacks need to be executed in big and noticeable chunks so everybody sees them in the chart / traded volume and we can communicate that this was us

Conclusion

In my opinion this formula for the buybacks would fit very well to bring CEL back to the Fair Value that the main Utilities try to achieve.

In the first moment there would be some huge expenses (\$40k for the first week) but this should very fast reduce due to the caused increase in price.

For the long run the %APR on CEL would find a normal level of round about 3-8% APR.

The higher and less volatile the CEL price -> the higher the community satisfaction -> the higher the HODL mentality -> the more permanent adoption of CEL Utilities

Let me know if this idea sounds interesting for you.

Have a great Sunday,
Johannes

On Sun, Nov 3, 2019 at 4:18 AM Alex Mashinsky <alex@celsius.network> wrote:
Team.

Over 50% of our users have CEL and 36% get paid in CEL each week yet you guys decide on your own when and how much CEL to buy each week which does not mean we are listening to our users and our community. If we have record BTC from record users and CEL price is half of what it was a few weeks back we need to buy twice as much CEL each week at these lower prices. We are not buying that much.

Please come up with a set formula and stick to it as we would like to have it public and transparent with our users.

I feel like CEL is still an orphan in the trading desk so this needs to change.

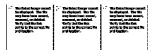
Please send me the formula and copy me on your weekly buys as I want to show the correlation between users , BTC deposits and CEL price.

If we can not show it we will use many depositors and CEL holders

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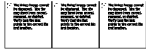
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